

Proposal for Structuring Fees

September 17, 2002

Background

The January, 1999 publication of the Nebraska Credentialing Reform 2000 report, part two, contained 144 recommendations. Some of these recommendations were for the fee structuring focus area and included:

- Explore ways to ensure that resources allocated to the credentialing system are and remain adequate to carry out the system's mission of protecting the public.
- Establish fees for initial and renewed credentials based on historical costs - actual cost of issuing and maintaining credentials.
- Fees-based structure provides for the greatest accountability for funds and provides the greatest flexibility in applying available funds.
- Create a more equitable system - equalize costs for the most common processes and reduce the cost of bookkeeping while having no effect on the total amount of fees collected.

Credentialing system, credentialing, licenses and licensure are terms used in this proposal. Credentialing system has been defined as the programs and procedures pertinent to a state's administration, monitoring and discipline of persons or establishments possessing some form of license, registration or certification from the state to provide health care and/or environmental services. Credentialing, license and licensure are used to mean any form of licensure, registration or certification. Credentialing and program are used to describe many of the same activities within the Department. The proposal applies a departmental approach to initial and renewal fees for a license or credential. This means the costs for credentialing activities, regardless of the organizational location of the people carrying out the activities, will be included into the Department's formula for initial and renewal fees.

Credentialing activities support the purpose of credentialing individuals—to ensure the public safety. These activities include:

- ✓ Policy and Capacity Development
 - legislation; funding and resource development; information systems development; establish policies
- ✓ Administration of Credentialing
 - initial; renewal; reinstatement; rules & regulations development; board support, training and maintenance; communication and public education
- ✓ Competency Assurance
 - establish educational and competency requirements to be met
- ✓ Compliance Assurance
 - conform to acceptable practice standards; complaint intake and disposition; investigation; adjudication; appeal; settlement, diversion and alternate resolution; consumer protection; education of credentialed professions; action against unlicensed practitioners
- ✓ Evaluation and Review
 - ongoing and periodic quality assurance for board and staff processes; periodic performance review for credentialed professions.

Implementation

The implementation of fees structuring based on the NCR recommendations will involve a change in statute to authorize establishing a formula that will be used to determine fees. A formula will allow fees to be based upon actual historical costs and allow for timely changes to initial and renewal credentialing fees. There is statutory precedence where a formula approach has been successfully used.

Assumptions:

- All professions and occupations credentialed by the Department are (or will be) included under the Uniform Licensing Law.
- A formula will be established for use in setting initial and renewal credentialing fees.
- Reference to “compliance assurance costs” includes investigative costs, contested case costs, and compliance monitoring costs for all professions and occupations credentialed by the Department.
- Statutes will be written as broad as possible but still give needed regulatory authority.
- Costs are calculated for all profession and occupation credentials issued by the Department to an individual. Establishments and services traditionally managed in connection with "people" credentials are included.
- Inspections necessary because of initial or renewal credentialing are included. Non-licensure or non-credential inspections should have a separate fee.
- The formula calculates costs per professional or occupational category that is then considered by the designated professional board¹ to set fees for profession or occupation specific credentials.
- Resources, including the fees, should support credentialing activities.
- Fee structuring is a fair, systematic process developed over a period of years that is recognizable and understandable.

Professions and Occupations who should pay partial or no license fees:

The current fees for some professions and occupations do not cover the total costs of credentialing. Therefore, such costs are paid by other sources of funds within the department right now. The credentialing cost for these professions and occupations will be included in calculating the total cost of the credentialing system. How much, if any, of the credentialing cost becomes a fee for that credential is yet to be determined. These professions and occupations are:

- Emergency Medical Services (EMS) individuals, establishments and services. These are often volunteers who take training. Historically the EMS credentialed individuals have not paid a license fee and the credentialing activities have been supported by general and federal funds. Recommendation: evaluate whether to subsidize credentialing activities after estimated fee established.

¹ If no professional or occupational board exists within the Department - none will be created. Substitute "Department" for professional or occupational board if no board exists.

- Nurse Aides and nurse aide training programs. Credentialing of a nurse aide and the nurse aide training programs are federal requirements. Historically nurse aides have not paid a fee and the State credentialing activities have been supported by federal and general funds. Recommendation: evaluate whether to subsidize credentialing activities after estimated fee established.
- Medication Aides. Medication aides now pay a \$5.00 fee every three years for a credential. The fee plus cash funds provided by other professions and occupations support the credentialing activities. Recommendation: evaluate whether to subsidize credentialing activities after estimated fee established.
- Swimming Pool Operators. The Credentialing fee is now \$9.00 every four years. The fee plus general fund supports the credentialing activities. Recommendation: evaluate whether to subsidize credentialing activities after estimated fee established.
- Water Operators. The credentialing renewal fee is now \$10.00 every three years. The fee plus state and federal funds support the credentialing activities. Recommendation: evaluate whether to subsidize credentialing activities after estimated fee established.

The credentialing cost of other professions and occupations may be determined to be coverable in whole or part by funds from sources other than credentialing fees.

Fee Formula:

Fees are set to generate funds needed to support credentialing activities. There are three elements to calculating the cost of credentialing: base, variable, and adjustments.

The fee formula is: total of base and variable costs plus or minus any adjustments equals the amount of revenue required by the Credentialing System from fees.

Base Costs + Variable Costs ± Adjustments = Revenue From Fees Required by Credentialing System

The formula includes all costs for renewal of credentials. It includes almost all costs for initial credentials - initial credentials will add an application fee and an examination fee (based on actual examination costs if applicable for a specific profession or occupation).

Explanation of base, variable, and adjustments in the formula:

Base costs are the costs common to all credentialed professions and occupations:

- Salaries and benefits. Salaries and benefits for staff who work with the credentialing activities of the professions and occupations. Include all salaries and benefits.
- Shared operating costs. The cost of operation or doing the work of credentialing that is not profession or occupation specific. Examples: indirect costs, rent, utilities, etc.
- Credentialing Review (CR). Program used to determine when a profession or occupation needs regulation, the appropriate level of regulation, scope of practice issues, and how the outcomes for public protection are or will be achieved.

- Compliance Assurance. Includes investigative costs, contested case costs and compliance monitoring costs for all professions and occupations credentialed by the Department.
- Costs assessed to all fees (assessments). Example: Licensee Assistance Program.
- Capital. Office equipment and computer hardware or software (not profession or occupation specific).

Base Costs = + salaries & benefits + shared operating costs + CR + compliance assurance + assessment + capital

Variable costs are the costs that are unique to a credentialed profession or occupation:

- Per Diems. Per Diems paid to profession board members;
- Profession/Occupation specific operating costs. Operating costs that are profession-specific. Examples: publications, conference registration, subscriptions, etc.
- Travel. Costs for the professional board and staff travel. Examples of travel costs are car rental, gas, mileage and does not include employee salary

A professional board has a role in setting the variable costs.

Variable Costs = + per diems + profession/occupation specific operating costs + travel

Adjustments are the addition of other costs or the subtraction of other revenue.

- Addition. Costs reflecting fund deficit payment, per Department's cash fund balance management plan, etc.
- Subtraction. Other revenue that is profession or occupation specific (fees that are not for initial or renewal credentials). Examples: address list fees, penalty fees, and federal funds.

Adjustments = + additional costs - other revenue

Fee Calculation:

The fee formula (Base Costs + Variable Costs \pm Adjustments) identifies the revenue from fees required by the credentialing system and the total revenue needed by a professional or occupational category. The designated professional board considers the total revenue needed by a professional or occupational category, as credentialing fees are set for profession or occupation specific credentials.

There may be a number of individual credentials within a professional or occupational category and possibly even school or establishment credentials. A board can determine the fee for one credential is X dollars while the fee for another credential is Y dollars as long as the total revenue from that board's professional or occupational credentials equal the amount of revenue needed according to the fee formula. A professional board will have the responsibility to identify variable costs within the guidelines of statutes and then determine fees for credentials within their professional or occupational category.